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The Activities of the Government in Promoting Foreign Trade

By L. F. SCHMECKEBIER

Chief of Division of Research, Bureau of Foreign and Domestic Commerce

IN the development of foreign trade the three main factors to be considered by the manufacturer are markets where the goods may be sold and general economic conditions in these countries, methods of transporting the goods overseas to their destination, and means of financing the transaction.

For some years the Bureau of Foreign and Domestic Commerce, in coöperation with the Consular Service of the Department of State, has been supplying the information regarding markets and economic conditions, but it has remained for the disturbed conditions in shipping and commerce, due to the war, to develop governmental organizations which are concerned with methods of transportation and the financing of foreign business.

TRADE COMMISSIONERS

The work undertaken through the Bureau of Foreign and Domestic Commerce, and the Consular Service may be roughly divided into two main classes: that of the trade commissioners, commercial attaches and consuls traveling or located in foreign cities and that of the staff of the Bureau of Foreign and Domestic Commerce in Washington. A feature of American trade promotion, which has not been developed to the same extent by any other country, is the work of the trade commissioners who are investigating the markets for specific groups of American products. These investigations are made by trade commissioners of the Bureau of Foreign and Domestic Commerce who have practical knowledge of the industry under consideration, because specialization has become such an important factor of industrial development in this country that it is impossible to give proper attention to the needs of a foreign market unless the investigator has a thorough grounding in the technique of the industry. These investigators are assigned to a particular country or a group of countries and study all the phases of economic and industrial

development that may have a bearing on the sale of American products. These factors include roughly the general character of the population and its purchasing power, the kind and quality of goods that find a ready sale, the foreign source of supply or the domestic production, proper methods of packing and shipping, accepted principles of sales representation, and the credit terms that must be offered. At present the following market investigations are under way: construction materials and machinery in South America, textiles in South America, furniture in South America, agricultural implements in France, motor vehicles in Europe, leather trade in Europe, lumber in Europe, industrial machinery in France, Italy, and the Far East, jewelry and silverware in South America, electrical goods in Spain and Italy, chemical industries in France, and phosphate rock in Europe.

In addition there are under way investigations of various industries and trade activities that may offer a field for American products, or may assist in the marketing of American goods. Among these may be mentioned the mineral resources of the Far East, the mining industries of Spain, banking and finance in England and Spain, advertising methods in South America, and ports and transportation facilities in the Far East.

Owing to the general disturbance of trade and industry throughout the world as a result of the war, it has been deemed advisable to supplement the special investigations by some general studies, with a view to obtaining comprehensive and first hand reports on the economic situation in the principal countries of the world. These general studies are being made in Belgium, Denmark, England, France, Greece, Italy, Netherlands, Norway, Roumania, Spain, Sweden, Bolivia, Colombia, Paraguay, Venezuela, Dutch East Indies, Mexico, and the Union of South Africa.

COMMERCIAL ATTACHES AND CONSULS

The Bureau of Foreign and Domestic Commerce is permanently represented in foreign countries by commercial attaches connected with the American Embassy or legation in each country, attaches at present being located at Buenos Aires, Copenhagen, The Hague, Lima, London, Madrid, Melbourne, Paris, Peking, Rio de Janeiro, Rome and Tokyo. The duty of the commercial attache is to keep in touch with the larger aspects of the economic and indus-

trial development of the country to which he is accredited, and to submit general reports which will serve to guide American business men who are seeking information regarding foreign markets for their products. It is not the function of the commercial attache to furnish lists of dealers or secure representatives for American concerns. It is their duty to point out significant developments in the economic life of the country to which they are accredited, and to pay special attention only to the larger aspects of American trade, and the general opportunities for strengthening our commercial position in foreign markets.

The details of trade promotion in foreign countries are left to the American consuls who are under the supervision of the Department of State, but whose commercial reports are transmitted to the Bureau of Foreign and Domestic Commerce for the information of the American exporter. In addition to a comprehensive annual report on the trade and industry of his district, the consul makes reports from time to time on specific commodities which offer a good field for the American merchant, or on special opportunities for placing American goods. The consul offers a convenient and acceptable mode of bringing together the American exporter and the foreign importer. From the consul or from lists that have already been submitted by the consul, the American exporter can obtain the names of merchants who are interested in his products, and the foreign importer on his side can be put in touch with the manufacturers of the products he desires to buy. In many cases the consul can place the foreign buyer in direct touch with the manufacturer of the goods needed. In other cases the same result is accomplished by forwarding to Washington information regarding the goods desired by the importer, so that an appropriate notice may be published by the Bureau of Foreign and Domestic Commerce for the benefit of the exporters in the United States.

The home service rendered by the Bureau of Foreign and Domestic Commerce consists in supplying inquirers with classified data that have been submitted by the consuls and the representatives of the bureau, and also in furnishing specific information which can be obtained from the foreign publications on file in the library of the bureau. Among the data that are available in Washington may be mentioned information on foreign tariffs and

trademarks, foreign statistics of imports and exports, and occasionally of production, clippings from foreign journals, and statistics on the trade of the United States. Some knowledge of the tariff system of a foreign country is absolutely essential to the exporter, as on it depends to a large extent the price at which his product can be marketed. If the tariff is high on a particular product, it may raise the price to such an extent that the American manufacturer cannot compete with the domestic manufacturer, or in many cases it may keep him out of the market altogether. The tariff also has an important bearing on methods of packing, because in some countries the duty is based on the gross weight, while in other countries it is based on the legal weight which includes the commodity and its immediate container, but not the case in which the separate containers are packed. Closely allied to tariff questions are those relating to the protection of trademarks, the requirements regarding consular invoices, the regulations governing commercial travellers and their samples, and the import and export restrictions which may be in effect during time of war, or economic transition. Through its files of official rulings and decrees, the bureau is enabled to answer these questions expeditiously without the necessity of awaiting a reply from a foreign country.

In the line of statistics, the Bureau of Foreign and Domestic Commerce is prepared to assist the exporter by giving him both the export statistics of the United States, and the import statistics of foreign countries. The assembling and publication of the statistics of the foreign trade of the United States constitutes one of the primary functions of the bureau, and these statistics offer a good guide to markets that have already been developed for American products. The classification of commodities is being revised so that in the future statistics will be given for many commodities that were formerly included in some general group. Likewise the period of annual publications has been changed from the fiscal year ended June 30 to the calendar year, so that the American statistics may be more easily compared with those published by foreign countries, the greater part of which are on the calendar year basis. In the field of foreign statistics, the bureau is able to supply from its collection of foreign commercial reports the latest available data on imports and exports as classi-

fied by the country concerned. These statistics are of great value, as they indicate the principal sources of supply and the countries with which the American exporter must compete. The bureau has also numerous lists of dealers in foreign countries which have been submitted at various times by American consuls or trade commissioners.

ENCOURAGING MARKETS FOR FARM PRODUCTS

The Bureau of Markets of the Department of Agriculture has recently undertaken work looking to the development of foreign markets for unmanufactured agricultural products. It is planned to send to Europe in the near future several agricultural trade commissioners as permanent representatives to report on conditions and to study the marketing and distribution of American farm products. According to a recent announcement issued by the Bureau of Markets the work will comprise studies on the supply of agricultural products in foreign markets and the export surplus in the principal foreign countries with which the United States competes, the consumption and demand in the principal importing countries, the market preference as to kinds of products and the requirements as to grading, packing, and branding, the channels of trade through which the products pass and the business practices involved, the methods and cost of marketing American and foreign products, methods of financing export trade in agricultural products, export practices in forwarding, storing, transporting and insuring agricultural products, the economic conditions influencing the marketing of American agricultural products, and trade opportunities for American agricultural products. The commodities to be included in the investigations by the Bureau of Markets are grain and grain products, dairy and poultry products, fruits, vegetables, nuts, honey, cotton and cottonseed products, livestock, meats and tobacco.

The control of shipping and the building of a merchant fleet are activities that have developed as a result of the war. Before 1914 the foreign trade of the United States was carried mainly in foreign bottoms and while various methods for the establishment of a merchant marine had been proposed, there was no definite and concerted action looking to the operation of ships by the government itself. The demoralization of shipping was coincident with

the first day of the war. German shipping was swept from the sea within a few days. The development of submarine warfare added to the perplexities and difficulties of the American shipper, because as the English tonnage diminished the English government was compelled to withdraw many ships from their regular runs in order to furnish transportation for supplies of every kind. Our own entry into the war and the critical events of the spring of 1918 before our merchant fleet had been developed to any extent, added to the difficulties of the exporter, as almost every available ship was needed to carry troops and supplies to Europe. During these critical months it was possible to allow our foreign trade only enough ships to import commodities that were essential to our own welfare, and to carry to foreign countries supplies that were absolutely needed.

A recent report by Mr. Hurley states that in August, 1914, the United States sea-going merchant marine of 500 gross tons and over amounted to 1,494 sea-going merchant vessels of 2,706,317 gross tons; on November 11, 1918, the date of the armistice, the grand total was 2,113 sea-going vessels of 5,515,180 gross tons. The total construction in the United States during the war amounted to 875 vessels of 2,941,845 gross tons. The purchases from aliens amounted to 233 vessels of 883,854 gross tons; 66 steamers of 139,469 gross tons removed from the Great Lakes to the high seas, and 31 vessels of 39,219 gross tons were acquired from various sources. Decreases due to enemy action, marine risk, sale, etc., amounted to 1,145,524 gross tons. With the stoppage of shipments of munitions, after the signing of the armistice, a large part of the newly developed merchant tonnage became available for commercial purposes, and as fast as circumstances will permit the Shipping Board is supplying vessels on all the trade routes where such service is demanded. That board is also keeping close track of tonnage movements in all parts of the world, as well as freight rates that are offered by nations that are competing with us in foreign trade. These rates are being assembled by the Shipping Board both for the purpose of determining the effect of the competition of other countries, and to serve as a guide in adjusting the rates on American ships so that the American manufacturer will not be at a disadvantage.

OUR CHANGED TRADE BALANCE

Another development of the war has been the conversion of the United States from a debtor to a creditor country. We have not only taken back practically all of our securities that were held in Europe, but in addition both private investors and the government itself have made heavy loans to our European Allies. Added to this we must take into consideration the fact that the Allied countries in Europe will need enormous quantities of material for industrial reconstruction, and perhaps not for several years will it be possible for them to ship enough merchandise to offset their own purchases. We are, therefore, confronted with an enormous balance of trade in our favor, which results in a rate of exchange which is very disadvantageous to our purchasers, and which is a hindrance to purchase in our markets.

It is generally agreed that extensive credits must be made if we are to take part in the industrial reconstruction of Europe. In order to assist the American exporter in financing his operations, the Act of March 3, 1919 (Public No. 328) provided the War Finance Corporation of the Treasury Department with a fund of a billion dollars which may be advanced to exporters if the exporter is unable to obtain funds upon reasonable terms through banking channels. The detailed method of administering this Act has not been worked out by the War Finance Corporation, but the law provides that the loans may be for terms not exceeding five years, and that the rate of interest charged shall not be less than one per cent per annum in excess of the rate of discount for ninety day commercial paper, prevailing at the time of such advance at the federal reserve bank of the district in which the borrower is located.

The favorable balance of trade which is likely to prevail for some time renders it highly desirable that the American public pay more attention to the investing of funds in foreign securities. The investment of such funds will tend to stabilize exchange, as the proceeds of the loan will be represented by credits in this country, against which foreign importers may draw their bills. These investments will also be of a decided value in increasing our foreign sales as American representatives in charge of foreign property controlled by Americans will naturally purchase their

supplies from American houses if possible. The Bureau of Foreign and Domestic Commerce is paying special attention to this phase of foreign trade development, and is bringing to the attention of investors opportunities to place capital in foreign countries and is furnishing available basic data for the guidance of the investor.

The lack of assistants trained in the technique of foreign trade and the absence of courses of instruction in the subject have been a handicap to many manufacturers who have been endeavoring to build up a foreign department. Costly and annoying mistakes and delays have often resulted from the errors of omission and commission of employes who have not been trained in the principles that are fundamental to business with foreign countries. In order to remedy this the Federal Board for Vocational Education has outlined a series of courses on foreign trade and shipping to meet the needs of teachers who may be called upon to give instruction on foreign trade vocations. One bulletin that has been issued contains outlines of short unit courses on selling methods and practice, the mechanism of foreign trade, exchange credit and banking, ocean transportation, marine insurance, trade routes, foreign tariffs and commercial policies. Specialized courses dealing with selected commercial areas are being developed for the use of students who have mastered the technique and who have surveyed the condition of commerce as a whole. In this work the Board for Vocational Education is working in close coöperation with the other agencies of the government that are interested in the development of foreign trade.